



**Investment Office**

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December 13, 2010

**AGENDA ITEM 9a**

**TO: MEMBERS OF THE INVESTMENT COMMITTEE**

**I. SUBJECT:** 2010 Roadmap Accomplishments – Annual Summary

**II. PROGRAM:** Total Fund

**III. RECOMMENDATION:** Information

**IV. ANALYSIS:**

**Background**

In January of this year the Investment Office began to implement a 2010 Roadmap which contains five strategic priorities along with initiatives for our asset classes and divisions. The five strategic priorities include:

- Risk Management;
- Capital Allocation;
- Cost Effectiveness/ Profit Enhancement;
- Financial Market Reform; and
- Organization Systems and Controls.

Each quarter staff has reported their progress and accomplishments on the 2010 Roadmap. This update represents the year-end report on the current Roadmap.

### **Accomplishments**

The 2010 Roadmap accomplishments represent a large undertaking by the Investment Office staff during a period of reduced capacity from the furloughs. Many of these initiatives were achieved in addition to staff's core workload.

**Attachment 1** provides an overview of the Roadmap and key accomplishments.

**Attachment 2** summarizes the progress on the strategic priorities.

**Attachment 3** includes the asset class and division initiative updates. Within the strategic priorities, staff also identified and completed six Rapid Results projects to make tangible progress quickly. The six projects were:

- 1) Improve contract terms such as fees and alignment of interests, and share best practices across the various asset classes.
- 2) Implement a centralized platform through which 100% of all external investment proposals are uniformly submitted to CalPERS.
- 3) Identify Board candidates in order to recommend a qualified, credible, diverse and experienced candidate to United Health Group.
- 4) Create an investment proposal screening process with decision criteria for each asset class.
- 5) Continue to reduce fees and better align the interests of AIM, Inflation-Linked, and Real Estate partners and create the method for institutionalizing the associated processes going forward.
- 6) Rationalize benchmarks, performance measures, and composites for better investment performance reporting.

The Investment Office successfully completed the first three rapid results projects in May 2010 and the second three projects in November 2010.

### **Next Steps**

Updated strategic priorities will be reflected in a FY 2011/12 Investment Office Roadmap that shifts reporting from the calendar year to the fiscal year to better align with the CalPERS annual planning and budget cycles. Two new priorities called Talent Management and Investment Performance will be added to the Roadmap to capture our ongoing strategic focus areas. The Financial Market Reform initiative will fold into our core workload. Thus, the next Roadmap will continue four priorities and add two new priorities as follows:

- Organization Systems and Controls (existing);
- Talent Management (new);
- Risk Management (existing);
- Capital Allocation (existing);
- Cost Effectiveness (existing), and;
- Investment Performance (new).

## **V. STRATEGIC PLAN:**

This item supports the following Strategic Goals:

- Goal I: Exercise global leadership to ensure the sustainability of CalPERS pension and health benefit systems.
- Goal IX: Achieve long term, sustainable, risk-adjusted returns.

## **VI. RESULTS/COSTS:**

Costs to implement the Roadmap are included within the existing Investment Office budget.

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Chief Operating Investment Officer

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Chief Investment Officer